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To	Chm. Reed Hundt	From	Comm. Ken McClure		
Co./Dept.	FCC	Co.	MO PSC		
Phone #		Phone #			
Fax #	202-418-2912	Fax #	573-526-7341		

FVE

KARL ZOBRIST
Chair

KENNETH MCCLURE

DUNCAN E. KINCHELOE

HAROLD CRUMPTON

M. DIANNE DRAINER
Vice Chair

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
573-526-5695 (TT)

January 24, 1997

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Honorable Steve Ellenbecker
Wyoming Public Service Commission
700 West 21st Street
Cheyenne, WY 82002

FEB 4 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Universal Service Proceeding - FCC Docket No. 96-45
Schools and Libraries Discount Program

Dear Chairman Ellenbecker:

On behalf of the State members of the Federal-State Joint Board on Universal Service, I am writing to inform you of the contemplated responsibilities of state commissions to implement the schools and libraries discount program set forth in the Joint Board's Recommended Decision. The FCC is required by statute to act on the recommendation by no later than May 8, 1997.

Section 254(h) of the Telecommunications Act of 1996 prescribes that the FCC establish the discounts applicable to eligible interstate services to be offered to schools and libraries. State regulatory commissions must establish the discounts applicable to eligible intrastate services. Paragraph 573 of the Recommended Decision proposes that the federal universal service program fund the discounts made available on both interstate *and* intrastate services. That provision further clarifies that in order for a state's schools and libraries to be eligible for this federal funding of intrastate service discounts from the federal universal service program, the state regulatory commission must adopt intrastate rate discounts that, at a minimum, mirror the interstate rate discounts. It is important to emphasize that the establishment of intrastate rate discounts by the state commission does not obligate the state commission to provide for funding of those discounts, as the funding will come from the federal universal service program. It should also be emphasized that universal service support for schools and libraries be funded by assessing both interstate and intrastate revenues of providers of interstate telecommunications.

The discounts proposed by the Joint Board range from 20% to 90% depending on the percentage of students enrolled in the national school lunch program. The matrix that is set forth in the Recommended Decision is enclosed for your reference. The Decision further noted, in


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paragraph 555, that the discounts may be modified when the FCC votes on the Recommended Decision. Also, paragraph 573 contemplates that should a state wish to set intrastate discounts that are lower than the interstate discounts proposed by the Joint Board, a waiver request may be made to the FCC.

The schools and libraries discount program is slated to be operational by the start of the upcoming 1997-98 school year. To meet this time frame, the state commissions must act to establish intrastate rate discounts for schools and libraries promptly following the FCC's vote on the Joint Board's Recommended Decision concerning this program. My State Joint Board colleagues and I want the state commissions be aware of their contemplated responsibilities and be positioned to promptly consider the implementation issues associated with the schools and libraries discount program. It would be premature, however, for a state commission to establish permanent discounts in accordance with paragraph 573 *before* the FCC takes up the Recommended Decision. We anticipate that the FCC may require that the states' determinations on intrastate rate discounts be reported to the program administrator in a very abbreviated period once the agency acts on the Joint Board's Recommended Decision.

Should you have any questions about this letter, please feel free to contact me or any of my State Joint Board colleagues, Sharon Nelson, Laska Schoenfelder, Julia Johnson and Missouri Public Counsel Martha Hogerty.

Sincerely,



Kenneth McClure, Chairman
State Members, Federal-State
Joint Board on Universal Service

KM:nh

cc: Honorable Sharon Nelson
Honorable Laska Schoenfelder
Honorable Julia Johnson
Public Counsel Martha Hogerty

SCHOOLS AND LIBRARIES DISCOUNTS

Recommended by Joint Board

DISCOUNT MATRIX	COST OF SERVICE (estimated percent in category)			
HOW DISADVANTAGED based on percent of students in the national school lunch program (estimated percent in category)		low cost (67%)	mid- cost (26%)	highest cost (7%)
	< 1 (3%)	20	20	25
	1-19 (30.7%)	40	45	50
	20-34 (19%)	50	55	60
	35-49 (15%)	60	65	70
	50-74 (16%)	80	80	80
	75-100 (16.3%)	90	90	90